

Executive Summary & Budget Justification FY 2004 Budget Estimates

Justification Data Submitted to Congress

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I. Base Realignment and Closure Overview

A. Background

The Defense Secretary's Commission on Base Realignment and Closures was chartered on May 3, 1988 to recommend military installations within the United States, its commonwealths, territories, and possessions for realignment and closure. The Congress and the President subsequently endorsed this approach through legislation that removed some of the previous impediments to successful base closure actions. The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, as enacted October 24, 1988, provides the basis for implementing the recommendations of the 1988 Commission. Under this Act, all closures and realignments were to be completed no later than September 30, 1995. Funding for these actions resides in the Base Realignment and Closure Account - Part I (BRAC-I) which spans fiscal years 1990 through 1995.

The National Defense Authorization Act for FY 1990 and 1991, Section 2831, allowed for the one-time transfer of \$31 million from BRAC I into the FY 1990 Homeowners Assistance Fund. This Fund is used to assist employees who are forced to move as a consequence of base closures and who find that they must sell their homes in real estate markets which have been adversely affected by the closure decision.

In the Committee Reports accompanying the FY 1990 Military Construction Appropriations Act, the Congress began applying some restrictions on the use of BRAC I funds. Concerned that the one-time implementation costs had increased by \$1 billion when compared to the 1988 Commission's estimate, the House Appropriations Committee (HAC) adopted a spending cap for military construction and family housing of \$2.4 billion. This cap was reflected in the FY 1990 Act itself. The FY 1992 Military Construction Appropriations Act lowered the cap to \$1.8 billion commensurate with the budget request.

On November 5, 1990, the President signed Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, establishing an independent commission known as the Defense Base Closure and Realignment Commission which met only during calendar years 1991, 1993, and 1995. The purpose of the Commission was to ensure a timely, independent, and fair process for closing and realigning U.S. military installations. The actions to implement the recommendations of the 1991, 1993, and 1995 Commissions are underwritten from the Base Realignment and Closure Account 1990 (BRAC II). Action must be initiated no later than two years after the date on which the President transmits a report to Congress and all closures and realignments must be completed no later than the end of the six-year period beginning on the same date. The implementation period for the last authorized round of base closure was complete as of July 13, 2001.

Public Law 101-510 included a number of other provisions affecting base closure, one of which, section 2923, designated the Base Closure Account (BRAC I) to be the exclusive source of funds for environmental restoration projects at round one closure sites. The National Defense Authorization Act for FY 1992, Section 2827, designated Base Closure Account 1990 as the exclusive source of funds for environmental restoration projects at closure sites approved by the 1991, 1993, and 1995 Commissions. The intent of this section was to preclude the cleanup actions at bases slated for closure from competing with other sources of funding for environmental cleanup such as the Defense Environmental Restoration Account (DERA). A total of \$8,038.3 million has been made available for cleanup for the four rounds of base closures through FY 2003. The FY 2004 budget request includes \$412.0 million for environmental restoration at BRAC bases.

B. Budget Justification Requirements

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, is specific in the types of information required as to budget justification. The Act states, "As part of each annual budget request for the Department of Defense, the Secretary shall transmit to the appropriate committees of Congress:

(1) a schedule of the closure and realignment actions to be carried out under this title in the fiscal year for which the request is made and an estimate of the total expenditures required and cost savings to be achieved by each such closure and realignment and of the time period in which these savings are to be achieved in each case, together with the Secretary's assessment of the environmental effects of such actions; and

(2) a description of the military installations, including those under construction and those planned for construction, to which functions are to be transferred as a result of such closures and realignments, together with the Secretary's assessment of the environmental effects of such transfers."

The FY 2004 budget justification material has been developed to comply with the above requirements. The BRAC Executive Summary Book provides an overview of the BRAC costs and savings for each DoD Component through the six-year implementation period. The DoD Components have prepared separate justification books providing detailed information by realignment and closure package, broken out by one-time implementation costs, anticipated revenues from land sales, and expected savings. This comprehensive approach addresses the total financial impact of realignment and closure actions and provides justification for the funds requested in the Base Closure Accounts.

C. DoD Base Closure Account Capitalization and Funding

The Department has complied with the guidance contained in the House of Representatives Report 101-76, Military Construction Appropriations Bill, 1990, July 26, 1989, to determine the proper method of capitalizing the DoD Base Closure Accounts. In denying general transfer authority to the Secretary of Defense, the Committee expressed the belief that the necessary one-time costs to implement base realignments and closures be requested as new appropriated amounts to facilitate improved accounting of the funds appropriated. Additionally, the Committee indicated that any savings or cost avoidance due to base realignment or closure should be reflected through reduced requirements in the annual budget requests for the affected appropriations.

The manner in which the impacts of base realignments and closures are reflected in BRAC appropriations accounts is consistent with this language. The new BRAC appropriations requested represent the costs of environmental restoration and caretaker functions at bases closed under the prior rounds of base closure authority. Also included in the appropriation request are funds to be transferred to the Homeowner's Assistance Program for the purpose outlined in Section III. Since the FY 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. Section IV provides examples of anticipated revenue from the sale of land and facilities and the anticipated revenue loss from land transfers.

The implementation of base realignment and closures requires the relocation of units and activities from one site to another. Recurring savings (reduced base operations costs) are realized through the increased efficiencies inherent in the consolidation of functions on fewer bases. The net savings are reflected as savings in the specific appropriations, primarily operation and maintenance, and are not incorporated in the DoD Base Closure Accounts.

Estimates for savings or cost avoidance have been incorporated into the DoD Component appropriation account where they are to accrue, resulting in corresponding reduced budget requests for those appropriations. The annual recurring saving from the four authorized rounds of base closure and realignment are projected to be about \$6 billion after the implementation period ending in FY2001.

D. Financial Management Procedures

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, established the Defense Base Closure Account (BRAC I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (BRAC II). From aspects of management, budgeting and accounting, both Accounts are treated in the same fashion. Funding approved by Congress in both Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

1. The Deputy Under Secretary of Defense (Installations & Environment) is responsible for issuing policy for management of the BRAC program and overseeing the DoD Components' execution of the program.

2. To properly account for and manage appropriated fund resources, the DoD Base Closure Accounts were established on the books of the Treasury to aid the DoD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 97-0103 to identify the DoD Base Closure Account - Part I, and 97-0510 to identify DoD Base Closure Account 1990 - Part II, Part III, and Part IV.

Funds made available to the DOD Components are subdivided and distributed to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DoD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

Military Construction

- Construction

- Planning and Design

Family Housing

- Construction

- Operations

Environmental

Operation and Maintenance (O&M)

- Civilian Severance Pay

- Civilian Permanent Change of Station (PCS) costs

- Transportation of things

- Real Property Maintenance

- Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)

- Military Personnel (limited to PCS expenses dedicated to implementation efforts)

- Other (including procurement-type items)

3. The Under Secretary of Defense (Comptroller) makes funds available to the DoD Components based on their official financial plans. Financial plans are prepared by the DoD Components in cooperation with and at the direction of the program manager, the Deputy Under Secretary of Defense (Installations & Environment). The DoD Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DoD Component's Financial plan. The DoD Components are allowed to revise planned execution as the situation dictates but must notify the Deputy Under Secretary of Defense (Installations & Environment) and the Under Secretary of Defense (Comptroller) of all changes. To keep the Under Secretary of Defense (Comptroller) apprised of these changes, the DoD Components are required to submit a revised current year financial plan and supporting documentation on a quarterly basis to reflect the status of the current plan being executed. When a military construction or family housing construction project is to be executed, but does not appear on the approved construction project list, the prior approval of the Under Secretary of Defense (Comptroller), and Congress is required. This will ensure that the Department has complied with the notification requirements of the House of Representatives Report 101-176, Military Construction Appropriation Bill, July 26, 1989, prior to the expenditure of DoD Base Closure Account funds. Each DoD Component is allocated funds based upon its official budget justification and financial plan.

4. Decision Rule for Determining the Validity of Charging Cost to the DoD Base Closure Accounts: In addition to being supported by the detailed budget justification, the general criterion to be applied when deciding whether to charge specific costs to the DoD Base Closure Account is that the cost in question is a one-time implementation cost directly associated with the overall base closure effort. For example, the one-time operation and maintenance-type costs at R&D-funded installations are charged to the appropriate sub-account of "Operation and Maintenance." Low-dollar value construction projects budgeted as lump sum under the real property maintenance category are charged to that sub-account and not the construction sub-account of military construction, which is reserved for projects listed individually on the financial plan accompanying the fund allocation document. Recurring costs driven by the transfer of workload from one location to another is budgeted for and charged to the non-base closure accounts.

II. Budget Summary

The tables on the following pages provide information on one-time implementation costs, expected savings, and revenues from land sales by DoD Component and approved BRAC closure round. BRAC I closures and realignments have been projected to cost \$2.8 billion and will generate total savings of \$2.4 billion and land sale revenue of \$65.7 million during the FY 1990-1995 implementation period. BRAC II closures and realignments have been projected to cost \$5.2 billion and will generate total savings of \$8.1 billion and land sale revenue of \$25.7 million during the FY 1992-1998 implementation period. BRAC III closures and realignments have been projected to cost \$7.6 billion and will generate total savings of \$7.8 billion and land sale revenue of \$3.4 million during the FY 1994-1999 implementation period. BRAC IV closures and realignments are projected to cost \$6.8 billion and will generate total savings of \$6.2 billion and land sale revenue of \$230.2 million during the FY 1996-2001 implementation period.

FY 2004 Budget Estimates
Base Realignment and Closure Account Parts I – IV
(Dollars in Millions)

	<u>FY2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Army			
Environmental	155.536	152.656	57.303
Operations & Maintenance	21.129	14.057	10.145
Navy			
Environmental	229.383	258.146	169.212
Operations & Maintenance	17.933	12.269	11.402
Air Force			
Environmental	217.010	124.124	175.600
Operations & Maintenance	26.325	27.100	25,146
Defense Logistics Agency			
Environmental	7.125	5.272	9.919
Operations & Maintenance	<u>4.555</u>	<u>6.728</u>	<u>1.000</u>
Total Environmental and Caretaker Costs	678.996	600.352	459.727
Homeowner's Assistance Program	-	-	-
Prior Year Financing	(36.700)	(39.214)	(21.300)
Estimated Land Sale Revenue	<u>(7.696)</u>	<u>-</u>	<u>(68.000)</u>
Budget Request	634.600	561.138	370.427

The FY 2004 budget requests \$370.4 million of new budget authority for environmental restoration and caretaker cost for facilities closed under the previous four rounds of base closure authority. This funding will ensure bases are continuing to be cleaned efficiently to speed the transfer of property to redevelopment authorities.

Unobligated balances of \$21.3 million and land sale revenue of \$68.0 million will be used to offset a portion of the department's FY 2004 requirement of \$459.7 million.

Annual recurring savings from the four rounds of base closure and realignment are projected to be about \$6 billion after the implementation period ending in FY 2001.

III. Homeowners Assistance Program

The Homeowners Assistance Program (HAP) provides assistance to eligible service members and civilian employee homeowners who have suffered losses through the depression of the real estate market resulting from actual or pending base closures. Pursuant to section 2832 of Title 10, United States Code, as amended by section 2831 of Public Law 101-89, the National Defense Authorization Act for FY 1990 and FY 1991, the Secretary of Defense was granted authority to transfer \$31 million of funds appropriated in BRAC I to HAP. Accordingly, the Department of Defense transferred \$31 million in FY 1990 to accommodate valid homeowner assistance requirements arising from implementation of the 1988 Commission's recommendations. From FY 1992 through FY 1999 the required homeowners assistance funding associated with base realignments and closures was budgeted in the Homeowners Assistance Program administered by the Department of the Army as executive agent for the program. Beginning in FY 2000, funds were budgeted in the BRAC program for transfer to the Homeowners Assistance Program during budget execution to allow more effective and efficient use of these funds in support of BRAC implementation. No funds are budgeted within the BRAC program for transfer to the Homeowners Assistance Program in FY 2004.

IV. Revenue from the Sale of Land and Facilities

In capitalizing the base closure accounts, the additional appropriations to pay for the one-time costs of implementation have been offset by the amount of revenues that are anticipated due to the authorized sale of land no longer required by the Department. Since the FY 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. The tables on the following pages show the anticipated land sale revenue and examples of projected land sales no longer anticipated due to loss cost from transfers of property outside of the Department. Land sale receipts from base closures have amounted to \$332.7 million through February 2003. These receipts are used to offset BRAC costs. Anticipated land sale revenue of \$68.0 million will be used to offset a portion of the department's FY 2004 requirement.

FY 2004 Budget Estimates
Base Realignment and Closure - Part I
Anticipated/Realized Land Revenue - Army
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Kapalama Military Reservation, HI	38,529
Pontiac Storage Facility	3,100
Fort Holabird, MD	100
USA Reserve Center Gaithersburg, MD	785
Stand-Alone Housing, Various Locations	<u>23,199</u>
Total	65,713

FY 2004 Budget Estimates
Base Realignment and Closure - Part I
Loss of Land Revenue - Army
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Lexington	7,379
Army Material Tech Lab	3,124
Jefferson	28,925
AMC Other	8,030
Presidio	42,986
Hamilton	46,550
Sheridan	59,092
Fort Douglas, UT	7,379
Fort Meade, MD	447,770
Cameron Station, VA	212,624
Stand Alone Housing	<u>62,053</u>
Total	925,912

FY 2004 Budget Estimates
Base Realignment and Closure - Part I
Loss of Land Revenue - Navy
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Naval Station New York (Brooklyn, NY)	57,000
Naval Station Puget Sound (Sand Point), WA	<u>60,000</u>
Total	117,000

FY 2004 Budget Estimates
Base Realignment and Closure - Part I
Anticipated/Realized Land Revenue - Air Force
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Chanute Air Force Base, IL	11,373
George Air Force Base, CA	1,550
Mather Air Force Base, CA	4,844
Norton Air Force Base, CA	<u>3,352</u>
Total*	21,119

*All anticipated/realized land revenues are accounted for in BRAC IV

FY 2004 Budget Estimates
Base Realignment and Closure - Part I
Loss of Land Revenue - Air Force
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
George Air Force Base, CA	90,000
Mather Air Force Base, CA	305,000
Norton Air Force Base, CA	100,000
Chanute Air Force Base, IL	13,000
Pease Air Force Base, NH	<u>120,000</u>
Total	628,000

FY 2004 Budget Estimates
Base Realignment and Closure - Part II
Anticipated/Realized Land Revenue - Army
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Cameron Station, VA	15,661
Fort Ben Harrison, IN	4,634
Sacramento Army Depot, CA	299
Fort Devens, MA	<u>1,998</u>
Total	22,592

FY 2004 Budget Estimates
Base Realignment and Closure - Part II
Loss of Land Revenue - Army
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Fort Devens, MA	112,000
Fort Dix, NJ*	83,000
Fort Ord, CA	399,750
Harry Diamond Lab, VA	30,000
Fort Benjamin Harrison, IN	102,227
Sacramento Depot, CA	<u>24,879</u>
Total	751,856

* Note: The anticipated revenues from Fort Dix were reduced from \$83.0 million to zero. The basis of the reduction is the proposed utilization of Fort Dix by other federal and state agencies which precludes disposal of the anticipated excess land.

FY 2004 Budget Estimates
Base Realignment and Closure - Part II
Anticipated/Realized Land Revenue - Navy
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
NAS Chase Field, TX	791
NCBC Davisville, RI	63
Various Locations	<u>2,216</u>
Total	3,070

FY 2004 Budget Estimates
Base Realignment and Closure - Part II
Loss of Land Revenue - Navy
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
NAS Chase Field, TX	2,000
NCBC Davisville, RI	22,000
NH Long Beach, CA	15,500
NS Long Beach, CA	20,250
NAS Moffet Field, CA	4,200
NS Philadelphia, PA	20,000
NS Puget Sound (Sand Point) WA	12,800
NCCOSC San Diego, CA	3,000
MCAS Tustin, CA	<u>672,000</u>
Total	771,750

FY 2004 Budget Estimates
Base Realignment and Closure - Part II
Anticipated/Realized Land Revenue - Air Force
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Carswell Air Force Base, TX	100
Castle Air Force Base, CA	3,485
England Air Force Base, LA	1
Grissom Air Force Base, IN	5,385
Loring Air Force Base, ME	335
Lowry Air Force Base, CO	9,123
Myrtle Beach Air Force Base, SC	10,268
Richards-Gebaur Air Force Reserve Station, MO	300
Rickenbacker Air Guard Base, OH	600
Williams Air Force Base, AZ	<u>3,442</u>
Total*	33,039

*All anticipated/realized land revenues are accounted for in BRAC IV

FY 2004 Budget Estimates
Base Realignment and Closure - Part II
Loss of Land Revenue - Air Force
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Williams Air Force Base, AZ	8,000
Eaker Air Force Base, AR	8,000
Castle Air Force Base, CA	27,000
Lowry Air Force Base, CO	100,000
MacDill Air Force Base, FL	50,000
Grissom Air Force Base, IN	8,000
Loring Air Force Base, ME	8,000
Wurtsmith Air Force Base, MI	8,000
Richards Gebaur Air Force Reserve Station, MO	8,000
Rickenbacker Air National Guard Base, OH	8,000
Myrtle Beach Air Force Base, SC	8,000
Bergstrom Air Force Base, TX	8,000
Carswell Force Base, TX	<u>8,000</u>
Total	257,000

FY 2004 Budget Estimates
Base Realignment and Closure - Part III
Anticipated/Realized Land Revenue - Army
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Various Locations	<u>798</u>
Total	798

FY 2004 Budget Estimates
Base Realignment and Closure - Part III
Anticipated/Realized Land Revenue - Navy
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
DoD Family Housing Niagara Falls, NY	1,113
Various Locations	<u>2,216</u>
Total	3,329

FY 2004 Budget Estimates
Base Realignment and Closure - Part III
Loss of Land Revenue - Navy
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
NS Mobile, AL	28,000
Various Locations	<u>309,263</u>
Total	337,263

FY 2004 Budget Estimates
Base Realignment and Closure - Part III
Anticipated/Realized Land Revenue - Air Force
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Griffiss Air Force Base, NY	3
Homestead Air Force Base, FL	488
March Air Force Base, CA	332
O'Hare IAP ARS, IL	65
Plattsburg Air Force Base, NY	<u>280</u>
Total*	1,168

*All anticipated/realized land revenues are accounted for in BRAC IV

FY 2004 Budget Estimates
Base Realignment and Closure - Part IV
Anticipated/Realized Land Revenue - Army
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
Fort Devens, MA	2,500
Fort Ben Harrison, IN	938
Cameron Station, VA	14,861
Stratford AAP, CT	6,550
Army Material Technology Lab, MA	6,284
Bayonne MOT, NJ	278
Hamilton AAF, CA	944
Jefferson Proving Ground, IN	55
Detroit, ATP, MI	5,924
Fort Sheridan, IL	5,150
Stand Alone Housing	110
Savanna AD	8
Fort Ritchie	54
Fitzsimons AMC	172
City of Chicago	15,980
Fort McClellan	460
Fort Ord	250
New Orleans MOT	275
VHFS	<u>992</u>
Total	61,785

FY 2004 Budget Estimates
Base Realignment and Closure - Part IV
Anticipated/Realized Land Revenue - Navy
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
NS Long Beach, CA	1,000
Naval Hospital Long Beach	15,000
MCAS Tustin, CA	30,000
MCAS El Toro, CA	22,000
NAS Moffett Field, CA	6,250
NTC Orlando, FL	3,287
NAWC Trenton, NJ	652
Pittsfield Reserve Center, MA	52
NS New York , NY	602
NAS Dallas, TX	2
PWC San Francisco	7,562
Various Locations	<u>9,147</u>
Total	95,554

FY 2004 Budget Estimates
Base Realignment and Closure - Part IV
Anticipated/Realized Land Revenue – Air Force
(Dollars in Thousands)

<u>Location</u>	<u>Total</u>
City of Chicago, Illinois – O’Hare International Airport*	94,380
Roslyn Air Guard Station, NY	<u>3,031</u>
Total	97,411

*Revenue from the City of Chicago for the movement of the Air National Guard facilities to Scott Air Force Base, Illinois.